

Message Text

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PAGE 01 NEW DE 12460 031115Z
ACTION AID-59

INFO OCT-01 NEA-10 ISO-00 /070 W
-----089549 032341Z /66
R 030810Z SEP 77
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 5852

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E.O. 11652: N/A
TAGS: EAID, IN, US
SUBJECT: ECONOMIC ASSISTANCE TO INDIA

REF: STATE 205624

1. SUMMARY: I AM DISTURBED AT THE APPROACH TO STARTING AN AID PROGRAM IN INDIA WHICH YOUR TELEGRAM IMPLIES WE SHOULD TAKE. YOU INSTRUCT ME TO ASK A GREAT MANY QUESTIONS ABOUT AN EXCESSIVE NUMBER OF PROGRAMS. THIS COURSE COULD LEAD TO THE IMPRESSION THAT THE SELECTION OF PROJECTS IS BASICALLY A MATTER FOR WASHINGTON'S DECISION RATHER THAN A RESPONSE TO GOI PRIORITIES. IN FACT, ON YOUR INSTRUCTIONS, WE HAD ASKED THE INDIANS FOR THEIR PRIORITIES AND THEY HAVE IDENTIFIED THEM. IT SEEMS TO ME HIGHLY IMPORTANT THAT WE MAINTAIN THE STANCE THAT WE ARE RESPONDING TO THEIR DESIRES.

2. THE INDIANS HAVE CHOSEN RURAL ELECTRIFICATION AND FOOD-GRAIN STORAGE IN THAT ORDER. IN RESPONSE TO OUR DESIRE FOR A PROJECT WITH A LARGE FOREIGN EXCHANGE COMPONENT, THEY HAVE ALSO SUGGESTED FERTILIZER. SINCE WE HAVE YOUR AUTHORIZATION TO PROCEED WITH ALL THREE OF THESE, WE SHALL IMMEDIATELY START PREPARING PROJECT IDENTIFICATION DOCUMENTS ON THEM, LEAVING THE REST FOR LATER CONSIDERATION. I STRONGLY RECOMMEND THAT, WHILE EXAMINING ALL THREE CLOSELY, WE FOCUS OUR ATTENTION ON THE FOODGRAIN STORAGE PROJECT AND LOOK TO-

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WARD AN EARLY FY 78 HEARING BEFORE CONGRESS (IF THE CONGRES STILL CONSIDERS 78 HEARINGS ESSENTIAL) SO THAT WE CAN NEGOTIATE A LOAN AGREEMENT AT THE EARLIEST POSSIBLE TIME. END SUMMARY

3. REFTTEL STATES THAT "...IT IS IMPORTANT TO MOVE AHEAD ON PROJECT DETAILS AS PROPOSED AND THAT WE HAVE AN ARRAY OF

PROJECTS FROM WHICH TO CHOOSE..." REFTEL THEN LISTS PROJECTS WHICH THE EMBASSY TENTATIVELY SUGGESTED TO GOI QUITE SOME TIME AGO. (SEE DELHI 10754). GOI HAS SINCE CHOSEN TWO AS BEING ITS PRIORITIES (DELHI 11723) FOR FY 78.

4. WE CONTINUE TO HAVE A STRONG PREFERENCE FOR ONE PROJECT ONLY FOR FY78. SINCE THE GOI HAS IDENTIFIED FOODGRAIN STORAGE AS A PRIORITY INTEREST, AND IT HAS IN ADDITION THE ADVANTAGE OF BEING THE VERY PROJECT NAMED IN OUR AUTHORIZING LEGISLATION, WE BELIEVE THAT IT WOULD BE MORE DIFFICULT FOR THE CONGRESS TO REJECT THIS CHOICE SIMPLY ON THE BASIS THAT IT WILL NOT USE ENOUGH FOREIGN EXCHANGE. THIS PROJECT THUS ALSO SEEMS TO OFFER THE BEST CHANCE OF ESTABLISHING THE PRINCIPLE OF LOCAL COST FINANCING FOR AID PROJECTS IN INDIA.

5. CONSEQUENTLY, WE PLAN TO RETURN TO THE MINISTRY OF FINANCE AND STATE THAT WE SHOULD MOVE AHEAD ON PROJECT DOCUMENTATION FOR FY78 IN FOODGRAIN STORAGE WITH OPTIONS IN RURAL ELECTRIFICATION AND FERTILIZER, (EXPLAINING TO THEM WHY WE BELIEVE FOODGRAIN STORAGE SEEMS TO HAVE THE BEST CHANCE OF EARLY ACCEPTANCE). WE WILL ASK THEM TO PERMIT US TO ENTER INTO DISCUSSIONS AT THE APPROPRIATE MINISTRY WORKING LEVEL WITH THE OBJECTIVE OF WRITING PROJECT IDENTIFICATION PAPERS, AN OUTLINE OF WHICH WE HAVE ALREADY GIVEN THEM, TO BE SENT TO WASHINGTON AS SOON AS POSSIBLE.

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6. THE MISSION IS INTERESTED IN GETTING THE FY 78 PROGRAM MOVED TO REALIZATION AS QUICKLY AS POSSIBLE. TO DO THIS, WE SHOULD CONSIDER SHORTENING THE PROCESS NORMALLY USED FOR PREPARING PROJECT PAPERS. THE WORLD BANK HAS MADE STUDIES, DRAWN UP PROPOSALS, MADE APPRAISALS, MONITORED, AND EVALUATED THESE STORAGE PROJECTS SO THAT OUR PROJECT PROPOSAL SHOULD BE ABLE TO DRAW ON THIS WORK AND SIGNIFICANTLY SHORTEN THE TIME FOR ITS PREPARATION.

7. AT THE SAME TIME, WE FAVOR AN EARLY PRESENTATION TO CONGRESS FOR THE FY 78 PROGRAM ALONE. THERE MAY BE SOME ADVANTAGE IN REDUCING INDIAN EXPOSURE BEFORE THE CONGRESS, BY COMBINING THE FY 78 AND 79 PREPARATIONS. HOWEVER, WE ARE CONCERNED THAT THIS COULD SUBSTANTIALLY SLOW THE MOMENTUM OF GETTING AN AID PROGRAM STARTED IN INDIA. WE SHALL, IN ANY EVENT, HAVE TO FACE HEARINGS ON INDIA WHETHER IT BE DECEMBER OR MARCH, AND THEREFORE WE SEE LITTLE EXTRA ADVANTAGE IN COMBINING THEM. WASHINGTON VIEWS ON THIS POSSIBILITY WOULD BE APPRECIATED.

8. ON COMPLETION OF THE THREE PIDS FOR FY 78, WHICH WE WILL TARGET FOR COMPLETION BY EARLY OCTOBER, WE SHALL MOVE IMMEDIATELY TO THE NEXT PHASE OF THE PROGRAM.

IATELY INTO PREPARING ADDITIONAL PIDS FOR FY 79 (RECOGNIZING THAT THESE THREE PIDS MAY THEMSELVES BE SUFFICIENT FOR BOTH FY 78 AND FY 79). BY THE END OF NOVEMBER WE PLAN TO HAVE PIDS FOR ONE OR TWO COMMAND AREAS.

9. REFTEL ISTS A NUMBER OF ADDITIONAL POSSIBILITIES WHICH WE RECOGNIZE AS BEING ON LIST OF THOSE SUGGESTED IN DELHI 10754. AS A RESULT OF OUR CONTINUING EXPLORATION HERE, HOWEVER, WE NOW HAVE SOME RESERVATIONS ON THREE OF THEM:

A. MALARIA CONTROL: IN ADDITION TO THE POLITICAL RISKS INHERENT IN A PROJECT IN WHICH WE WOULD SUPPLY PESTICIDES, OUR OWN STRINGENT REQUIREMENTS FOR PREPARING THIS KIND OF PROJECT WOULD LIKELY CAUSE PROBLEMS WITH THE GOI.
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B. AGRICULTURE CREDIT: THE GOI HAS ADVISED AGAINST OUR PARTICIPATING IN THIS AREA AT THE PRESENT TIME, AS OTHER DONORS HAVE ALREADY AGREED TO PROVIDE SUFFICIENT SUPPORT.

C. INTEGRATED HEALTH PROGRAM: GOI PLANNING FOR RURAL HEALTH CARE IS AT THIS TIME FAR FROM CLEAR. WHILE THERE HAS BEEN CONSIDERABLE PUBLIC DISCUSSION, THERE IS NO EVIDENCE OF CONCRETE WORKABLE PLANS ON WHICH A PROJECT COULD BE BASED. IN ADDITION, WE ARE AWARE THAT THERE ARE STRONG DIFFERENCES WITHIN THE MINISTRY OF HEALTH ON BOTH PRIORITIES AND PROGRAMS. WE BELIEVE, THEREFORE, THAT WE SHOULD DELAY CONSIDERATION OF RURAL HEALTH PROJECTS FOR THE PRESENT.
GOHEEN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC ASSISTANCE
Control Number: n/a
Copy: SINGLE
Sent Date: 03-Sep-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977NEWDE12460
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770320-1206
Format: TEL
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770999/aaaadflb.tel
Line Count: 150
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 3846fb4d-c288-dd11-92da-001cc4696bcc
Office: ACTION AID
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 STATE 205624
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 11-Apr-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1391526
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC ASSISTANCE TO INDIA
TAGS: EAID, IN, US
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/3846fb4d-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009